

CITY OF TIPTON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2007



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CITY OF TIPTON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Young	Mayor	December 2007
Shirley Kepford	1 st Ward Council Person	December 2007
Dean Anderson	2 nd Ward Council Person	December 2009
Klay Johnson	3 rd Ward Council Person	December 2007
Donald McGlaughlin	At Large Council Person	December 2007
Warren Wethington	At Large Council Person	December 2009
Doug Boldt	City Manager	
John Foley	Clerk, Collector	
Lorna Fletcher	Finance Officer/ Assistant City Clerk	
Steve Nash	Director of Public Works/ Zoning Administrator	
Virgil Penrod	Gas Superintendent	
John Packwood	Electric Superintendent	
Roger Hakeman	Chief of Police	
L.E. Dendinger	City Attorney	Indefinite

CITY OF TIPTON

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tipton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2008 on our consideration of the City of Tipton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 19 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Tipton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Cedar Rapids, Iowa
March 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tipton provides this Management's Discussion and Analysis of its financial statements as a narrative overview of the financial activities for the fiscal year ended June 30, 2007. Readers are encouraged to consider this information in conjunction with the City's financial statements which follow.

2007 FINANCIAL HIGHLIGHTS

- The City's total cash basis net assets decreased by 12.6% at the close of fiscal year 2007 or \$930,494. Governmental activities cash basis net assets decreased by \$722,559 due largely to no new debt being added in the public safety function and the cultural and recreational functions.
- City governmental activities revenues increased \$348,800 or 20% when compared to fiscal year 2006. Significant changes were due to the fact the City transferred more money to various governmental activities.
- General government activities expenditures increased \$31,589 or 1% during this same period. That increase would be considered negligible.
- Business-type activities (the City's enterprise funds) operating revenues increased by \$99,820 or 1% and direct operating expenses increased \$678,151 or 11% when compared to the prior year.
- The City has \$6,894,103 in long term debt compared to \$7,986,018 at the close of FY 2006. There was no new debt issued during the current fiscal year. The change between years is the required debt service payments.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Cash Basis Net Assets (Exhibit A). This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Government Fund Financial Statements (Exhibits B & C) tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

- The Proprietary Fund Financial Statements (Exhibit D) tell how business-type activities were financed in the short term as well as what remains for future spending.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information provides budgetary comparison schedules of receipts, disbursements, and changes in balances for all governmental and proprietary funds.
- Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the more important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the fiscal year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question. The Statement presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two different kinds of activities:

- Governmental activities including public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants and disbursements finance most of these activities.
- Business type activities include the utilities such as electric, natural gas, water, sewer, and garbage collection. These activities are primarily financed by user charges.

Fund Financial Statements

The City has two types of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending in the following year. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
 - The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balance.
- Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise funds are used to report business type activities. The City maintains a number of enterprise funds to provide separate information for electric and gas funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.
 - The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.
 - Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

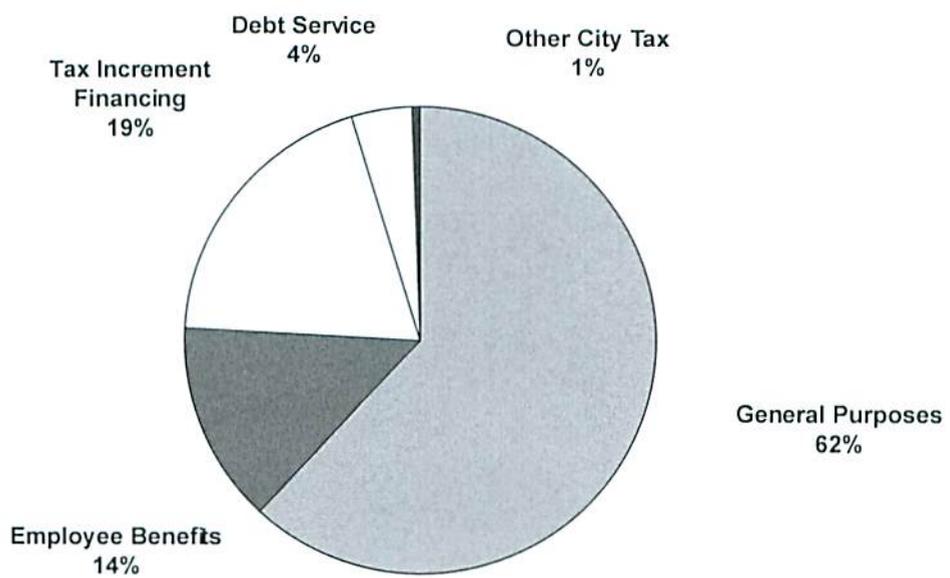
Net assets may serve, over time, as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$2,557,417 to \$1,834,858. The analysis following focuses on the changes in cash balances for governmental activities:

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

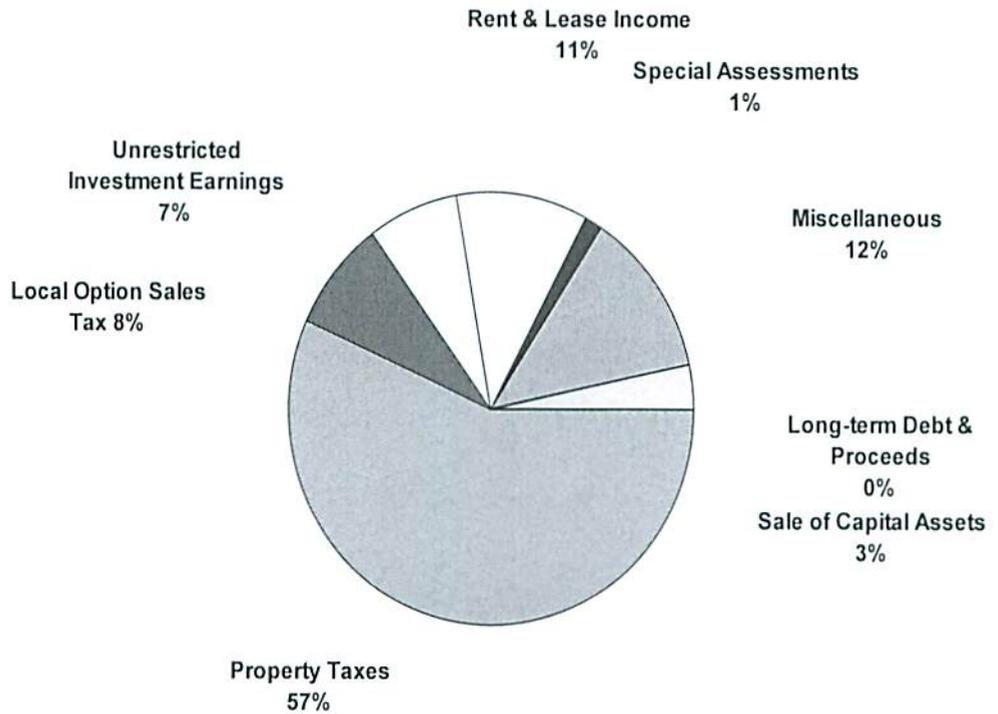
GOVERNMENTAL ACTIVITIES

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 295,483	\$ 484,796
Operating grants, contributions and restricted interest	961,679	446,170
Capital grants, contributions and restricted interest	239,498	391,756
General receipts:		
Property tax	1,055,681	993,242
Other city tax	7,086	6,595
Local Option Sales Tax	154,754	116,183
Unrestricted investment earnings	133,238	46,261
Rent and lease income	198,480	162,792
Special assessments	25,992	14,012
Miscellaneous	229,213	11,390
Long term debt proceeds	-	1,666
Sale of capital assets	64,556	96,638
Interfund loans	(28,065)	(7,379)
Transfers, net	<u>226,672</u>	<u>277,407</u>
Total receipts and transfers	<u>3,564,267</u>	<u>3,041,529</u>
Disbursements:		
General government:		
Public safety	723,533	782,320
Public works	462,406	324,841
Culture and recreation	587,047	587,171
Community and economic development	73,788	-
General government	952,631	733,941
Debt service	592,008	416,710
Capital projects	<u>895,413</u>	<u>1,135,574</u>
Total general government disbursements	<u>4,286,826</u>	<u>3,980,557</u>
 Change in Cash Basis Net Assets	 (722,559)	 (939,028)
 Cash Basis Net Assets, Beginning of Year	 <u>2,557,417</u>	 <u>3,496,445</u>
 Cash Basis Net Assets, End of Year	 <u>\$1,834,858</u>	 <u>\$2,557,417</u>

Property Tax Levies



Receipts by Source

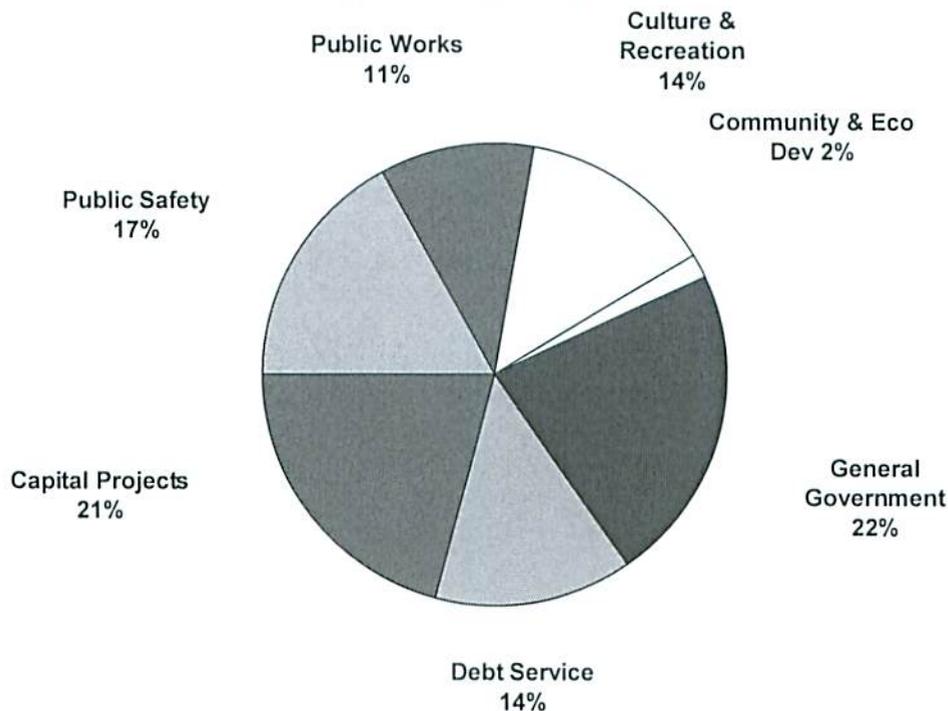


The City's total receipts for governmental activities increased by \$348,800 from the previous year. The total cost of all programs increased by \$31,589 with no new programs added during the year. As stated before, these increases are negligible and are primarily the result of the increased cost of doing business and closely watching all expenditures.

The City increased the property tax rates for 2007 by 2.65%. The increase was due to the increase in liability insurance and employee benefits. There was no increase in the general government levy of \$8.10 per \$1,000 of assessed taxable valuation. The overall increase in levy proceeds is due to increased total assessed valuation, even though the residential rollback rate continues to erode the primary base of property tax base in the city.

The cost of all governmental activities this year was \$3,564,267 compared to \$3,041,529 last year. The amount financed by property taxpayers was \$1,055,681. The remainder was financed by charges for services for those directly benefiting from the programs (\$295,483) or by other governments or organizations that subsidized certain programs with grants, contributions, and restricted interest (\$2,213,103) as well as other general receipts.

Government Activities, Disbursement by Function



STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

BUSINESS TYPE ACTIVITIES

	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
Receipts:		
Program receipts:		
Charges for service	\$7,039,056	\$7,011,058
Operating grants, contributions and restricted interest	86,569	63,084
General receipts:		
Unrestricted investment earnings	189,583	140,953
Rent and lease income	13,653	7,200
Miscellaneous	59,521	-
Long term debt proceeds	-	58,096
Sale of capital assets	<u>27,054</u>	<u>12,000</u>
Total receipts and transfers	<u>7,415,436</u>	<u>7,292,391</u>
Disbursements and transfers:		
Electric	3,666,921	3,173,475
Water	626,693	589,075
Gas	1,828,717	2,033,865
Wastewater	802,509	427,314
Communications	1,095	1,460
Airport	74,542	60,792
Garbage	428,131	388,760
Cemetery	<u>47,432</u>	<u>42,579</u>
Total disbursements	7,476,040	6,717,320
Interfund loans net	(77,352)	30,717
Transfers, net	<u>224,683</u>	<u>277,406</u>
Total disbursements and transfers	<u>7,623,371</u>	<u>7,025,443</u>
 Change in Cash Basis Net Assets	 (207,935)	 266,948
 Cash Basis Net Assets, Beginning of Year	 <u>4,341,374</u>	 <u>4,074,426</u>
 Cash Basis Net Assets, End of Year	 <u>\$4,133,439</u>	 <u>\$4,341,374</u>

Total business-type activities receipts for the fiscal year were \$7,415,436 compared to \$7,292,391 last year. This change was due primarily to slightly increased fees for electric and natural gas rates and due to higher consumption levels for all services. Total disbursements and transfers for the fiscal year were \$7,476,040 compared to \$6,717,320 last year. The higher level of disbursements were due to increases in energy and supply costs.

INDIVIDUAL NONMAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed this year, its governmental funds reported a combined fund balance of \$1,834,858, a decrease over last year's total of \$2,557,417. The following are the major reasons for the changes of fund balances of the governmental funds from the prior year.

1. The General Fund cash balance decreases are largely due to the addition of the Community Development Director's position in which the City pays a portion of the office space and telephone and benefits. Although the City was mostly reimbursed, the City did incur expenses associated with the ice storms in February and December of 2007. The City's debt service shows an increase due to the elimination of the 1994 sewer/water debt service fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times which resulted in an increase in budgeted receipts of \$121,596 and disbursements of \$462,347 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

On June 30, 2007, the City had \$6,894,103 in bonds and other long-term debt, compared to \$7,986,018 at the beginning of the year.

Outstanding debt at June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
General Obligation Notes:		
Street improvements	85,000	\$ 165,000
Water improvements	-	195,000
Street improvements	<u>950,000</u>	<u>1,095,000</u>
Total	<u>1,180,000</u>	<u>1,455,000</u>
Revenue Bonds:		
Sewer revenue	<u>2,766,000</u>	<u>2,889,000</u>
Revenue Notes:		
Electric revenue	815,000	1,200,000
Water revenue	1,305,000	1,305,000
FAC anticipatory note	<u>825,000</u>	<u>1,125,000</u>
Total	<u>2,945,000</u>	<u>3,630,000</u>
Capital Lease Obligation:		
Copier and related equipment	<u>3,103</u>	<u>12,018</u>
Total indebtedness	<u>\$ 6,894,103</u>	<u>\$ 7,986,018</u>

Debt decreased as a result of the regular debt service requirements. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,180,000 is well below the constitutional debt limit. Although secured as general obligation debt, only the \$85,000 street improvement debt remaining is serviced by property tax levy. The remainder of the general obligation notes are serviced by road use tax revenue or water revenue.

2007 GENERAL HIGHLIGHTS

- The City began the design for a new fire station with Solum Lang Architects. A special election for a bond referendum in the amount of \$2,300,000 took place on May 15, 2007. The referendum did not pass, however, a revised design was approved by the City Council in December 2007 and the planning for a second referendum has begun. A specific date for the referendum has not been decided yet.
- The City completed an Airport Layout Plan with Snyder & Associates with the hope of becoming included in the National Plan of Integrated Airports. The plan is currently under review with the Federal Aviation Administration. The City also received a grant from the Iowa Department of Transportation Office of Aviation for the construction of a new hangar. Completion is scheduled for this spring.
- The City began construction on a new 500,000 gallon elevated water tower. Completion of this project is scheduled for the spring of 2008.
- The result of a successful passage of the 1% Local Option Sales and Service Tax has allowed the City to continue to keep property taxes low as 25% of the 1% is earmarked for property tax relief.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues

Economic Condition - which can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas and other tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

Increase/Decrease in Council Approved Rates - while certain tax rates are set by statutes, the City Council has significant authority to impose and periodically increase/decrease rates (electricity, natural gas, sanitation, recycling, water, wastewater, permitting, recreation user fees, and facility rental fees, etc.)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) - certain recurring revenues (state revenue sharing, block grants, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons. In addition, the state revenue sharing has diminished significantly during this fiscal year, and there are no signs that such sharing will return.

Contribution from the Utilities Funds - the City owns and operates the Water & Sewer, Electric, Natural Gas and Garbage utility systems and provides administrative and support services for the utilities. In return, the City receives payments from the utilities. Therefore, the ongoing competitiveness and vitality of those utilities is important to the City's well being.

Market Impacts on Investment Income - due to varying maturities on the City's investments and the varying nature of the market in general, City investment income may fluctuate from year to year.

Expenses

Introduction of New Programs - within the functional expense categories (General Government, Public Safety - Police and Fire, Cultural and Recreation, and Redevelopment, etc.) individual programs may be added or deleted to meet changing community needs.

Increase/Decrease in Authorized Personnel - changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 11% of the City's total budget and 47% of the General Fund budget.

Salary Increases (cost of living, merit and market adjustment) - the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

Inflation - while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals and supplies, fuel and parts. Some functions may experience unusual commodity specific increases (for example fuel prices).

FUTURE FACTORS & BUDGET

Tipton's elected and appointed officials considered the above factors when establishing the FY 2007 budget, tax rates, and fees that will be charged for various City activities. The City and surrounding county has seen an increase in the last year in the unemployment rate which also is slightly above the state average (4.3% versus 3.6%), however, the median household income still remains above the state average of \$42,198 versus \$39,469 which is unchanged from last year.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for FY2007 compared to 3.5% nationally. Locally, stable housing and energy prices have helped keep the index low as it compares nationally. Energy prices are, however, predicted to show a steady rise, especially in electric purchases.

These indicators were taken into account when adopting the budget for FY2008.

Revenues, 2007-2008

The City's property tax grew based on a 4.6% taxable value increase. The City's Regular General Levy remains at \$8.10/\$1,000 of assessed value while debt service permissible levies decreased from a proposed \$1.05775/\$1,000 to \$0.50475 of assessed value because of the local option sales and service tax. Overall tax-based revenues are expected to show a modest increase of \$85,545 to \$869,678.

A 1% annual increase in electric rates will take effect in April. The City has modified its natural gas rates and the procedure by which commodity price adjustments are included in billings to customers.

Expenses, 2007-2008

No new programs are planned for the coming year. The City continues to reap the benefits of hiring a Community Development Director. A portion of the position is funded by the revenue from the 1% Local Option Sales and Service Tax. The Tipton Chamber of Commerce and the Tipton Economic Development Corporation also continue to financially support the position.

Expenses Anticipated, 2008 +

The City continues with its plans to construct a new fire station. The City Council did acquire the final piece of property for the project in May of 2007. The Fire Station Project will be a voted referendum general obligation issue and is scheduled for another Special Election although the specific date has not been set yet. The firm of Solum Lang Architects continues to work with both the Fire Department and the City to design the facility.

The City began construction on a new 500,000 gallon elevated water tower. The project is financed with a \$600,000 Community Development Block Grant, excess 1% local option sales tax from the construction of the Cedar County Law Enforcement Center and water operating reserves. Maguire Iron, Inc. was the low bidder. The project is scheduled for completion in the spring of 2008.

The City still faces proportional costs based upon its .5% ownership of the Louisa Generation Plant (LGP) for installation of emissions controls. Tipton's share is estimated to be over \$750,000. Tipton's expense began in FY 2006-2007.

The City is still considering additional standby generation especially after the ice storm in February 2007 and the minor ice storm in December 2007. The City currently owns four mega-watt of dual-fuel (natural gas/diesel) generation dedicated to the wholesale energy supplier, Resale Power Group of Iowa (RPGI). Investigation is underway into whether the addition of two mega-watt of diesel generation for peak-shaving only would provide sufficient demand capacity cost reduction to justify an estimated \$500,000 expenditure. However, in the event of another major outage, having the additional two mega-watt of capacity would also make it much easier for the City to carry the electrical load of the town. We are, however, planning on installing an additional fuel tank for the current engines in FY 2008-2009 which would give the City the capacity needed if additional engines were to be added.

Alliant Energy continues to indicate they plan to upgrade the current 34.5 KV electric transmission lines serving Tipton to 69 KV, even though no definite timeframe has been established yet. This project has been delayed now several times. The City has requested a meeting with Alliant hoping they will provide an accurate timeframe for the upgrade. When this project does occur, the City anticipates a revenue bond issuance.

Expenditures related to personnel costs and associated benefits continue to increase as a direct result of the increased cost of health insurance coverage. Although the City is an aggressive participant in partial self-funded health coverage, we have nonetheless faced premium cost increases around 12 -15% annually with no expectation that this will not continue in the short run.

CONTACT INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City Manager at City Hall at 407 Lynn Street, Tipton, Iowa 52772, telephone (563) 886-6187.

Respectfully submitted,

Doug Boldt
City Manager

BASIC FINANCIAL STATEMENTS

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 723,533	\$ 170,162	\$ 54,487	\$ -
Public works	462,406	1,490	268,281	-
Culture and recreation	587,047	106,747	87,317	-
Community and economic development	73,788	-	4,970	-
General government	952,631	17,084	5,547	239,498
Debt service	592,008	-	-	-
Capital projects	895,413	-	541,077	-
Total governmental activities	<u>4,286,826</u>	<u>295,483</u>	<u>961,679</u>	<u>239,498</u>
Business type activities:				
Electric	3,666,921	3,936,813	30,589	-
Water	626,693	506,810	4,127	-
Gas	1,828,717	1,779,720	14,876	-
Wastewater	802,509	472,317	1,096	-
Communications	1,095	-	-	-
Airport	74,542	33,358	33,893	-
Garbage	428,131	292,083	581	-
Cemetery	47,432	17,955	1,407	-
Total business type activities	<u>7,476,040</u>	<u>7,039,056</u>	<u>86,569</u>	<u>-</u>
Total	<u>\$ 11,762,866</u>	<u>\$ 7,334,539</u>	<u>\$ 1,048,248</u>	<u>\$ 239,498</u>

GENERAL RECEIPTS:

Property taxes levied for:
 General purposes
 Employee benefits
 Tax increment financing
 Debt service
 Other city tax
 Local option sales tax
 Unrestricted interest on investments
 Rent and lease income
 Special assessments
 Miscellaneous
 Sale of fixed assets

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (498,884)	\$ -	\$ (498,884)
(192,635)	-	(192,635)
(392,983)	-	(392,983)
(68,818)	-	(68,818)
(690,502)	-	(690,502)
(592,008)	-	(592,008)
<u>(354,336)</u>	<u>-</u>	<u>(354,336)</u>
<u>(2,790,166)</u>	<u>-</u>	<u>(2,790,166)</u>
-	300,481	300,481
-	(115,756)	(115,756)
-	(34,121)	(34,121)
-	(329,096)	(329,096)
-	(1,095)	(1,095)
-	(7,291)	(7,291)
-	(135,467)	(135,467)
-	<u>(28,070)</u>	<u>(28,070)</u>
<u>-</u>	<u>(350,415)</u>	<u>(350,415)</u>
<u>(2,790,166)</u>	<u>(350,415)</u>	<u>(3,140,581)</u>
658,962	-	658,962
147,891	-	147,891
205,164	-	205,164
43,664	-	43,664
7,086	-	7,086
154,754	-	154,754
133,238	189,583	322,821
198,480	13,653	212,133
25,992	-	25,992
229,213	59,521	288,734
64,556	27,054	91,610

(continued)

CITY OF TIPTON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	<u>Program Receipts</u>		
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Services</u>	
Interfund loan proceeds			
Transfers in			
Interfund loan advances			
Transfers out			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS, BEGINNING			
CASH BASIS NET ASSETS, ENDING			
CASH BASIS NET ASSETS:			
Restricted:			
Deposits			
Debt service			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

**Net (Disbursements) Receipts and
Change in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
22,185	116,993	139,178
2,038,729	1,501,302	3,540,031
(48,261)	(39,641)	(87,902)
<u>(1,814,046)</u>	<u>(1,725,985)</u>	<u>(3,540,031)</u>
<u>2,067,607</u>	<u>142,480</u>	<u>2,210,087</u>
(722,559)	(207,935)	(930,494)
<u>2,557,417</u>	<u>4,341,374</u>	<u>6,898,791</u>
<u>\$ 1,834,858</u>	<u>\$ 4,133,439</u>	<u>\$ 5,968,297</u>
\$ -	\$ 30,837	\$ 30,837
8,067	743,067	751,134
257,749	416,525	674,274
<u>1,569,042</u>	<u>2,943,010</u>	<u>4,512,052</u>
<u>\$ 1,834,858</u>	<u>\$ 4,133,439</u>	<u>\$ 5,968,297</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON

Statement of Cash Receipts, Disbursements and Changes
in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2007

	General	Special Revenue CDBG Funds	GO Street Improvement
RECEIPTS:			
Property tax	\$ 658,961	\$ -	\$ -
Tax increment financing collections	-	-	-
Other city tax	7,086	-	-
Licenses and permits	3,018	-	-
Use of money and property	32,349	8,734	21,859
Intergovernmental	40,560	239,498	-
Charges for services	274,769	-	-
Special assessments	14,405	-	-
Miscellaneous	112,329	-	-
	<u>1,143,477</u>	<u>248,232</u>	<u>21,859</u>
Total receipts			
DISBURSEMENTS:			
Operating:			
Public safety	611,553	-	-
Public works	462,406	-	-
Culture and recreation	584,536	-	-
Community and economic development	60,444	-	-
General government	136,351	-	-
Debt service	-	-	-
Capital projects	-	-	-
	<u>1,855,290</u>	<u>-</u>	<u>-</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	<u>(711,813)</u>	<u>248,232</u>	<u>21,859</u>
OTHER FINANCING SOURCES (USES):			
Sale of fixed assets	1,318	-	-
Interfund loan proceeds	-	-	-
Operating transfers in	671,550	-	-
Interfund loan advances	-	-	-
Operating transfers out	<u>(31,353)</u>	<u>(200,000)</u>	<u>(779,991)</u>
Net other financing sources (uses)	<u>641,515</u>	<u>(200,000)</u>	<u>(779,991)</u>

Capital Projects			Total	
Water Tower Project	Aquatic Center Project	GO Street Improvement 2003	Nonmajor Governmental Funds	Totals
\$ -	\$ -	\$ -	\$ 191,555	\$ 850,516
-	-	-	205,164	205,164
-	-	-	154,754	161,840
-	-	-	-	3,018
-	-	-	43,193	106,135
-	-	-	262,953	543,011
-	-	-	1,470	276,239
-	-	-	47,157	61,562
-	22,527	-	535,025	669,881
-	22,527	-	1,441,271	2,877,366
-	-	-	111,980	723,533
-	-	-	-	462,406
-	-	-	2,511	587,047
-	-	-	13,344	73,788
-	-	-	119,501	255,852
-	-	-	592,008	592,008
670,735	122,987	81,082	20,609	895,413
670,735	122,987	81,082	859,953	3,590,047
(670,735)	(100,460)	(81,082)	581,318	(712,681)
-	-	-	30,000	31,318
-	-	-	20,196	20,196
200,000	-	779,991	387,188	2,038,729
-	-	-	(48,261)	(48,261)
-	-	-	(802,702)	(1,814,046)
200,000	-	779,991	(413,579)	227,936

(continued)

CITY OF TIPTON

Statement of Cash Receipts, Disbursements and Changes
in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2007

	<u>General</u>	<u>Special Revenue CDBG Funds</u>	<u>GO Street Improvement</u>
NET CHANGE IN CASH BALANCE	(70,298)	48,232	(758,132)
CASH BALANCE, BEGINNING	<u>137,295</u>	<u>316,449</u>	<u>758,132</u>
CASH BALANCE, ENDING	<u>\$ 66,997</u>	<u>\$ 364,681</u>	<u>\$ -</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General	66,997	-	-
Special revenue funds	-	364,681	-
Permanent	-	-	-
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 66,997</u>	<u>\$ 364,681</u>	<u>\$ -</u>

Capital Projects			Total	
Water Tower Project	Aquatic Center Project	GO Street Improvement 2003	Nonmajor Governmental Funds	Totals
(470,735)	(100,460)	698,909	167,739	(484,745)
-	(272,725)	(251,965)	1,476,758	2,163,944
<u>\$ (470,735)</u>	<u>\$ (373,185)</u>	<u>\$ 446,944</u>	<u>\$ 1,644,497</u>	<u>\$ 1,679,199</u>
\$ -	\$ -	\$ -	\$ 8,067	\$ 8,067
-	-	-	-	66,997
-	-	-	1,319,715	1,684,396
-	-	-	102,090	102,090
<u>(470,735)</u>	<u>(373,185)</u>	<u>446,944</u>	<u>214,625</u>	<u>(182,351)</u>
<u>\$ (470,735)</u>	<u>\$ (373,185)</u>	<u>\$ 446,944</u>	<u>\$ 1,644,497</u>	<u>\$ 1,679,199</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets-
Governmental Funds

As of and for the year ended June 30, 2007

Total governmental funds cash balances	\$ 1,679,199
--	--------------

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis.

155,659

Cash basis net assets of governmental activities	\$ <u>1,834,858</u>
--	---------------------

Net change in cash balances	\$ (484,745)
-----------------------------	--------------

Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:

The Internal Service Funds are utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government on a cost reimbursement basis.

(237,814)

Change in cash basis net assets of governmental activities	\$ <u>(722,559)</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Proprietary Funds

As of and for the year ended June 30, 2007

	Electric Operating	Electric Bond	Gas Operating	Gas Surplus	Total Nonmajor Proprietary Funds	Totals	Internal Service Funds
OPERATING RECEIPTS:							
Licenses and permits	\$ 250	\$ -	\$ 25	\$ -	\$ 200	\$ 475	\$ -
Intergovernmental	19,256	-	-	-	34,178	53,434	-
Charges for services	3,926,938	-	1,779,694	-	1,315,109	7,021,741	-
Miscellaneous	33,284	-	15,099	-	61,115	109,498	198,155
Total operating receipts	3,979,728	-	1,794,818	-	1,410,602	7,185,148	198,155
OPERATING DISBURSEMENTS:							
General government	-	-	-	-	-	-	696,779
Business type activities:							
Electric	3,186,086	-	-	-	52,401	3,238,487	-
Water	-	-	-	-	359,133	359,133	-
Gas	-	-	1,820,094	-	8,623	1,828,717	-
Wastewater	-	-	-	-	224,720	224,720	-
Communications	-	-	-	-	1,095	1,095	-
Airport	-	-	-	-	74,542	74,542	-
Garbage	-	-	-	-	428,131	428,131	-
Cemetery	-	-	-	-	47,432	47,432	-
Total operating disbursements	3,186,086	-	1,820,094	-	1,196,077	6,202,257	696,779
Excess (deficiency) of operating receipts over (under) operating disbursements	793,642	-	(25,276)	-	214,525	982,891	(498,624)
NONOPERATING RECEIPTS (DISBURSEMENTS):							
Interest on investments	72,770	28,839	139	20,732	80,754	203,234	36,774
Rents	-	-	-	-	-	-	188,809
Debt service	-	-	-	-	(905,664)	(905,664)	-
Capital projects	-	-	-	-	(368,119)	(368,119)	-
Net nonoperating receipts (disbursements)	72,770	28,839	139	20,732	(1,193,029)	(1,070,549)	225,583
Excess (deficiency) of receipts over (under) disbursements	866,412	28,839	(25,137)	20,732	(978,504)	(87,658)	(273,041)
OTHER FINANCING SOURCES (USES):							
Operating transfers in	19,608	-	449	-	1,481,245	1,501,302	-
Interfund loan proceeds	17,833	48,261	-	-	50,899	116,993	1,989
Sale of fixed assets	-	-	133	-	26,921	27,054	33,238
Interfund loan advances	(39,641)	-	-	-	-	(39,641)	-
Operating transfers out	(934,189)	-	-	-	(791,796)	(1,725,985)	-
Net other financing sources (uses)	(936,389)	48,261	582	-	767,269	(120,277)	35,227

	<u>Electric Operating</u>	<u>Electric Bond</u>	<u>Gas Operating</u>	<u>Gas Surplus</u>	<u>Total Nonmajor Proprietary Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
NET CHANGE IN CASH BALANCE	(69,977)	77,100	(24,555)	20,732	(211,235)	(207,935)	(237,814)
CASH BALANCE, BEGINNING	<u>1,720,269</u>	<u>406,877</u>	<u>24,291</u>	<u>419,354</u>	<u>1,770,583</u>	<u>4,341,374</u>	<u>393,473</u>
CASH BALANCE, ENDING	<u>\$ 1,650,292</u>	<u>\$ 483,977</u>	<u>\$ (264)</u>	<u>\$ 440,086</u>	<u>\$ 1,559,348</u>	<u>\$ 4,133,439</u>	<u>\$ 155,659</u>
CASH BASIS FUND BALANCE:							
Reserved:							
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 30,837	\$ 30,837	\$ -
Debt service	-	-	-	-	743,067	743,067	-
Other purposes	-	-	-	-	416,525	416,525	155,659
Unreserved	<u>1,650,292</u>	<u>483,977</u>	<u>(264)</u>	<u>440,086</u>	<u>368,919</u>	<u>2,943,010</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 1,650,292</u>	<u>\$ 483,977</u>	<u>\$ (264)</u>	<u>\$ 440,086</u>	<u>\$ 1,559,348</u>	<u>\$ 4,133,439</u>	<u>\$ 155,659</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Tipton is a political subdivision of the State of Iowa located in Cedar County. It was first incorporated in 1840 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Manager-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. City also provides utility service to the citizens of Tipton including electricity, water, solid waste, sewer and gas.

A. Reporting Entity

For financial reporting purposes, the City of Tipton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cedar County Assessor's Conference Board, Cedar County Joint E911 Service Board, Cedar County Emergency Management Commission, and Cedar County Solid Waste Commission.

In addition to the jointly governed organizations identified above, the City has an agreement with the cities of Wilton and Durant for joint operation of a street sweeper.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(1) **Summary of Significant Accounting Policies**(continued):

B. Basis of Presentation (continued)

Government-wide Financial Statements (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The CDBG Fund is used to account for the proceeds of the Community Development Block Grant.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(1) **Summary of Significant Accounting Policies**(continued):

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Capital Projects:

The GO Street Improvement Fund is used to account for a street improvement project.

The Aquatic Center Project Fund is used to account for the aquatic center capital project.

The 2003 GO Street Improvement Project Fund is used to account for the 2003 street improvement project.

The Water Tower Project Fund is used to account for the water tower project.

The City reports the following major proprietary funds:

The Electric Operating Fund accounts for the operation and maintenance of the City's electric system.

The Electric Bond Fund accounts for the payment of debt obligations of the electric department.

The Gas Operating Fund accounts for the operation and maintenance of the City's gas system.

The Gas Surplus Fund accounts for the surplus monies available for the building of a gas infrastructure.

C. Measurement Focus and Basis of Accounting

The City of Tipton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, or accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

(1) **Summary of Significant Accounting Policies**(continued):

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) **Bonds and Notes Payable**

The annual debt service requirements to maturity of general obligation bonds and notes and revenue bonds and notes are as follows:

	<u>General Obligation Bonds and Notes</u>		<u>Revenue and Anticipatory Bonds and Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 230,000	\$ 36,599	\$ 827,000	\$ 206,906	\$1,057,000	\$ 243,505
2009	150,000	28,611	926,000	171,238	1,076,000	199,849
2010	155,000	23,886	495,000	142,630	650,000	166,516
2011	160,000	18,694	254,000	123,544	414,000	142,238
2012	165,000	13,013	263,000	113,938	428,000	126,951
2013	175,000	6,825	272,000	103,796	447,000	110,621
2014	-	-	282,000	93,105	282,000	93,105
2015	-	-	296,000	81,725	296,000	81,725
2016	-	-	306,000	69,705	306,000	69,705
2017	-	-	321,000	56,998	321,000	56,998
2018	-	-	331,000	43,590	331,000	43,590
2019	-	-	176,000	34,140	176,000	34,140

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

(3) **Bonds and Notes Payable** (continued)

	General Obligation Bonds and Notes		Revenue and Anticipatory Bonds and Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	-	-	181,000	28,860	181,000	28,860
2021	-	-	187,000	23,430	187,000	23,430
2022	-	-	192,000	17,820	192,000	17,820
2023	-	-	198,000	12,060	198,000	12,060
2024	-	-	204,000	6,120	204,000	6,120
	<u>\$1,035,000</u>	<u>\$ 127,628</u>	<u>\$5,711,000</u>	<u>\$1,329,603</u>	<u>\$6,746,000</u>	<u>\$1,457,231</u>

General obligation notes were issued on May 1, 2003 to provide funds to pay for the cost of street construction and reconstruction. These notes are callable on June 1, 2009.

The resolution providing for the issuance of the electric revenue notes includes the following provisions:

- a) The City shall generate net revenues from electric operations equal to at least 125% of the average annual installments on all bonds and notes outstanding.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in an electric sinking fund on a monthly basis.
- c) A reserve fund is to be established with a required fund balance of \$474,000.
- d) A renewal and replacement fund is to be established with a required fund balance of \$100,000. If the balance in this fund is less than the required minimum amount, \$50,000 shall be deposited into the fund.

Water revenue notes were issued on July 1, 2002 to provide funds for water improvement projects. These notes are callable on July 1, 2012.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- a) The City shall generate net revenues from water operations equal to at least 125% of the average annual installments on the notes.
- b) An amount equal to 1/12th of the next principal due and 1/6th of the next interest due shall be set aside in a water sinking fund on a monthly basis.
- c) A reserve fund is to be established with a required fund balance of \$130,000.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

(3) **Bonds and Notes Payable** (continued)

d) A surplus fund is to be established into which there shall be set apart and paid all the net revenues remaining after first making the required payments into the sinking and reserve funds and after the reserve fund contains the required minimum balance.

At June 30, 2007, the City was in compliance with all the provisions above.

(4) **Capital Lease Obligations**

During the year ended June 30, 2003, the City entered into a capital lease agreement for a multi-use printer/copier and related equipment. Monthly installments of \$786.19, including interest at 6.5% per annum, are due through October 21, 2007. There is a purchase option of \$750 for the equipment at that date and a schedule of the future minimum lease payments is as follows:

Total minimum lease payments	\$	3,144
Less amount representing interest		42
Present value of net minimum lease payments	\$	3,186

(5) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

	Transfers In							Totals
	General	Water Tower Project	GO Street Improve- ment 2003	Nonmajor Govern- mental Funds	Electric	Gas	Nonmajor Enterprise Funds	
Transfers Out:								
General	\$ 14,853	\$ -	\$ -	\$ 16,500	\$ -	\$ -	\$ -	\$ 31,353
CDBG	-	200,000	-	-	-	-	-	200,000
GO Street Improvement	-	-	779,991	-	-	-	-	779,991
Nonmajor:								
Special revenue	432,014	-	-	370,688	-	-	-	802,702
Electric	224,683	-	-	-	-	449	709,057	934,189
Nonmajor:								
Enterprise	-	-	-	-	19,608	-	772,188	791,796
	\$ 671,550	\$ 200,000	\$ 779,991	\$ 387,188	\$ 19,608	\$ 449	\$ 1,481,245	\$ 3,540,031

Transfers are used to move resources from the fund that will be providing the resources to the fund in which certain expenditures/expenses are being accounted for. Transfers are generally used to fund the cost of administration, debt service or capital projects.

**CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

(6) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306- 9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$84,908, \$76,525 and \$71,888, respectively, equal to the required contributions for each year.

(7) Health Insurance

The City provides health insurance for its employees with partial self-funding provisions as follows:

	<u>Out of Pocket Limits</u> <u>Per Calendar Year</u>	
	<u>Single</u>	<u>Family</u>
Employee	\$ 500	\$ 1,000
City	\$ 1,500	\$ 3,000

The City has established an internal service fund to account for and pay its share of this partial self-funding. As of June 30, 2007, there are unpaid claims for which the City is partially liable under the partial self-funding provision of the health insurance plan. This liability has not been determined. The balance on hand at the end of the year with the third party provider was \$15,543.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on their length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 960 hours. Vacation is payable when used and is cumulative to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2007 is \$71,266. This liability has been computed based on rates of pay in effect at June 30, 2007, and primarily relates to the General Fund.

CITY OF TIPTON
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

(10) Risk Management

The City of Tipton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Construction Project Commitments

The City of Tipton owns .5% of the Louisa Generation Plant and receives 3.5 megawatts of base load generation from this ownership. The Louisa Plant is planning on the EPA mandated installation of particulate scrubbers on its stacks to comply with clean air standards. The City's share of this project is estimated to be \$743,000 with current projections placing the majority of construction costs between 2008 and 2009. The City intends to finance this project through the creation of a reserve fund financed by existing user rates.

As of June 30, 2007, the City of Tipton owes \$380,967 for work performed under various construction contracts.

(12) Deficit Fund Balances

The Capital Project, Aquatic Center Project Fund had a deficit balance of \$373,185 at June 30, 2007. The Capital Project, Water Tower Project had a deficit balance of \$470,735 at June 30, 2007. The Enterprise Fund Gas Operating had a deficit balance of \$264 at June 30, 2007. The deficit balances were the result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of campaign donations and the sale of bonds. The Internal Service Funds, Central Garage and PSF Health Insurance, had deficit balances of \$78,764 and \$1,531, respectively, as of June 30, 2007. The deficits will be made up through higher charges for services from the governmental funds.

(13) Related Party Transaction

The City purchased a house from a member of the City council. The purchase price was a bargained transaction that involved a real estate agent. The City held public hearings on the purchase and the purchase was approved by the entire council with the related party abstaining from the vote. The purchase price was \$95,660.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TIPTON

Budgetary Comparison Schedule of Receipts, Disbursements, and
Changes in Balances - Budget to Actual (Cash Basis)-
All Governmental Funds and Proprietary Funds
Required Supplementary Information

Year Ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 850,516	\$ -	\$ 850,516
Tax increment financing	205,164	-	205,164
Other city tax	161,840	-	161,840
Licenses and permits	3,018	475	3,493
Use of money and property	106,135	203,234	309,369
Intergovernmental	543,011	53,434	596,445
Charges for services	276,239	7,021,741	7,297,980
Special assessments	61,562	-	61,562
Miscellaneous	669,881	109,498	779,379
	<u>2,877,366</u>	<u>7,388,382</u>	<u>10,265,748</u>
Total receipts			
DISBURSEMENTS:			
Public safety	723,533	-	723,533
Public works	462,406	-	462,406
Culture and recreation	587,047	-	587,047
Community and economic development	73,788	-	73,788
General government	255,852	-	255,852
Debt service	592,008	905,664	1,497,672
Capital projects	895,413	368,119	1,263,532
Business-type activities	-	6,202,257	6,202,257
	<u>3,590,047</u>	<u>7,476,040</u>	<u>11,066,087</u>
Total disbursements			
Excess (deficiency) of receipts over (under) disbursements	(712,681)	(87,658)	(800,339)
OTHER FINANCING SOURCES			
	<u>227,936</u>	<u>(120,277)</u>	<u>107,659</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(484,745)	(207,935)	(692,680)
BALANCES BEGINNING OF YEAR	<u>2,163,944</u>	<u>4,341,374</u>	<u>6,505,318</u>
BALANCES END OF YEAR	<u>\$ 1,679,199</u>	<u>\$ 4,133,439</u>	<u>\$ 5,812,638</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 833,194	\$ 833,194	\$ 17,322
185,000	185,000	20,164
193,223	193,223	(31,383)
6,510	6,510	(3,017)
985,031	985,517	(676,148)
953,829	954,456	(358,011)
8,169,966	8,183,986	(886,006)
20,000	20,000	41,562
<u>525,735</u>	<u>632,198</u>	<u>147,181</u>
<u>11,872,488</u>	<u>11,994,084</u>	<u>(1,728,336)</u>
673,138	819,963	96,430
642,670	540,664	78,258
909,279	599,305	12,258
28,000	102,523	28,735
322,274	261,071	5,219
1,177,922	1,527,922	30,250
2,498,000	2,831,960	1,568,428
<u>7,981,205</u>	<u>8,011,427</u>	<u>1,809,170</u>
<u>14,232,488</u>	<u>14,694,835</u>	<u>3,628,748</u>
(2,360,000)	(2,700,751)	1,900,412
<u>2,360,000</u>	<u>2,700,751</u>	<u>(2,593,092)</u>
-	-	(692,680)
<u>7,497,120</u>	<u>7,497,120</u>	<u>-</u>
<u>\$ 7,497,120</u>	<u>\$ 7,497,120</u>	<u>\$ (692,680)</u>

CITY OF TIPTON

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted receipts by \$121,596 and disbursements by \$462,347. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Combining Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue	Debt Service	Capital Projects	Permanent	Total Nonmajor Governmental Funds
RECEIPTS:					
Property tax	\$ 147,891	\$ 43,664	\$ -	\$ -	\$ 191,555
Tax increment financing collections	205,164	-	-	-	205,164
Other city tax	154,754	-	-	-	154,754
Use of money and property	34,871	2,306	6,016	-	43,193
Intergovernmental	262,953	-	-	-	262,953
Charges for services	-	-	-	1,470	1,470
Special assessment	47,157	-	-	-	47,157
Miscellaneous	535,025	-	-	-	535,025
Total receipts	<u>1,387,815</u>	<u>45,970</u>	<u>6,016</u>	<u>1,470</u>	<u>1,441,271</u>
DISBURSEMENTS:					
Operating:					
Public safety	111,980	-	-	-	111,980
Culture and recreation	2,511	-	-	-	2,511
Community and economic development	13,344	-	-	-	13,344
General government	119,501	-	-	-	119,501
Debt service	322,500	269,508	-	-	592,008
Capital Projects	200	-	20,409	-	20,609
Total disbursements	<u>570,036</u>	<u>269,508</u>	<u>20,409</u>	<u>-</u>	<u>859,953</u>
Excess (deficiency) of receipts over (under) disbursements	<u>817,779</u>	<u>(223,538)</u>	<u>(14,393)</u>	<u>1,470</u>	<u>581,318</u>
OTHER FINANCING SOURCES (USES)					
Interfund loan proceeds	-	-	20,196	-	20,196
Sale of fixed assets	30,000	-	-	-	30,000
Operating transfers in	160,552	226,636	-	-	387,188
Interfund loan advances	(48,261)	-	-	-	(48,261)
Operating transfers out	(802,702)	-	-	-	(802,702)
Net other financing sources (uses)	<u>(660,411)</u>	<u>226,636</u>	<u>20,196</u>	<u>-</u>	<u>(413,579)</u>

Schedule 1

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
NET CHANGE IN CASH BALANCE	157,368	3,098	5,803	1,470	167,739
CASH BALANCE, BEGINNING	<u>1,162,347</u>	<u>4,969</u>	<u>208,822</u>	<u>100,620</u>	<u>1,476,758</u>
CASH BALANCE, ENDING	<u>\$ 1,319,715</u>	<u>\$ 8,067</u>	<u>\$ 214,625</u>	<u>\$ 102,090</u>	<u>\$ 1,644,497</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ -	\$ 8,067	\$ -	\$ -	\$ 8,067
Unreserved:					
Special revenue funds	1,319,715	-	-	-	1,319,715
Permanent	-	-	-	102,090	102,090
Capital project funds	<u>-</u>	<u>-</u>	<u>214,625</u>	<u>-</u>	<u>214,625</u>
Total cash basis fund balance	<u>\$ 1,319,715</u>	<u>\$ 8,067</u>	<u>\$ 214,625</u>	<u>\$ 102,090</u>	<u>\$ 1,644,497</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Special Revenue

As of and for the year ended June 30, 2007

	<u>Road Use Tax</u>	<u>Trust and Agency</u>	<u>Local Option Tax</u>	<u>TIF Capital Improvement</u>	<u>Economic/ Industrial Development</u>
RECEIPTS:					
Property tax	\$ -	\$ 147,891	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	205,164	-
Other city tax	-	-	154,754	-	-
Use of money and property	-	1,939	931	6,081	5,002
Intergovernmental	262,953	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	8,048	-
	<u>262,953</u>	<u>149,830</u>	<u>155,685</u>	<u>219,293</u>	<u>5,002</u>
Total receipts					
DISBURSEMENTS:					
Operating:					
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	13,344
General government	-	-	49,547	69,954	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>49,547</u>	<u>69,954</u>	<u>13,344</u>
Total disbursements					
Excess (deficiency) of receipts over (under) disbursements	<u>262,953</u>	<u>149,830</u>	<u>106,138</u>	<u>149,339</u>	<u>(8,342)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	-	-
Operating transfers in	-	-	-	144,052	-
Interfund loan advances	-	-	-	-	-
Operating transfers out	<u>(181,886)</u>	<u>(146,560)</u>	<u>(106,137)</u>	<u>(368,119)</u>	<u>-</u>
Net other financing sources (uses)	<u>(181,886)</u>	<u>(146,560)</u>	<u>(106,137)</u>	<u>(224,067)</u>	<u>-</u>
NET CHANGE IN CASH BALANCE	81,067	3,270	1	(74,728)	(8,342)
CASH BALANCE, BEGINNING	<u>244,815</u>	<u>8,799</u>	<u>-</u>	<u>264,131</u>	<u>177,736</u>
CASH BALANCE, ENDING	<u>\$ 325,882</u>	<u>\$ 12,069</u>	<u>\$ 1</u>	<u>\$ 189,403</u>	<u>\$ 169,394</u>
CASH BASIS FUND BALANCE:					
Unreserved:					
Special revenue funds	<u>\$ 325,882</u>	<u>\$ 12,069</u>	<u>\$ 1</u>	<u>\$ 189,403</u>	<u>\$ 169,394</u>

<u>Aquatic Campaign</u>	<u>Unemployment Trust</u>	<u>Library Trust</u>	<u>PS Share Trust</u>	<u>Ambulance Trust</u>	<u>Fire Trust</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,891
-	-	-	-	-	-	205,164
-	-	-	-	-	-	154,754
2,168	2,770	3,513	61	12,242	164	34,871
-	-	-	-	-	-	262,953
-	-	-	-	6,367	40,790	47,157
<u>518,550</u>	<u>-</u>	<u>5,248</u>	<u>340</u>	<u>2,839</u>	<u>-</u>	<u>535,025</u>
<u>520,718</u>	<u>2,770</u>	<u>8,761</u>	<u>401</u>	<u>21,448</u>	<u>40,954</u>	<u>1,387,815</u>
-	-	-	-	111,980	-	111,980
-	-	2,511	-	-	-	2,511
-	-	-	-	-	-	13,344
-	-	-	-	-	-	119,501
322,500	-	-	-	-	-	322,500
200	-	-	-	-	-	200
<u>322,700</u>	<u>-</u>	<u>2,511</u>	<u>-</u>	<u>111,980</u>	<u>-</u>	<u>570,036</u>
<u>198,018</u>	<u>2,770</u>	<u>6,250</u>	<u>401</u>	<u>(90,532)</u>	<u>40,954</u>	<u>817,779</u>
-	-	-	-	30,000	-	30,000
-	-	-	-	16,500	-	160,552
-	-	-	-	-	(48,261)	(48,261)
-	-	-	-	-	-	(802,702)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,500</u>	<u>(48,261)</u>	<u>(660,411)</u>
198,018	2,770	6,250	401	(44,032)	(7,307)	157,368
<u>25,872</u>	<u>69,763</u>	<u>80,400</u>	<u>1,968</u>	<u>278,401</u>	<u>10,462</u>	<u>1,162,347</u>
<u>\$ 223,890</u>	<u>\$ 72,533</u>	<u>\$ 86,650</u>	<u>\$ 2,369</u>	<u>\$ 234,369</u>	<u>\$ 3,155</u>	<u>\$ 1,319,715</u>
<u>\$ 223,890</u>	<u>\$ 72,533</u>	<u>\$ 86,650</u>	<u>\$ 2,369</u>	<u>\$ 234,369</u>	<u>\$ 3,155</u>	<u>\$ 1,319,715</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds - Other

As of and for the year ended June 30, 2007

	Debt Service			Capital Projects	
	GO Street Improvement Debt Service	GO Street Improvement Debt Service 03	Total Debt Service Funds	Wastewater Project	69 KV Substation Project
RECEIPTS:					
Property tax	\$ 43,664	\$ -	\$ 43,664	\$ -	\$ -
Use of money and property Charges for services	758	1,548	2,306	6,016	-
	-	-	-	-	-
Total receipts	<u>44,422</u>	<u>1,548</u>	<u>45,970</u>	<u>6,016</u>	<u>-</u>
DISBURSEMENTS:					
Debt service	87,523	181,985	269,508	-	-
Capital projects	-	-	-	213	20,196
Total disbursements	<u>87,523</u>	<u>181,985</u>	<u>269,508</u>	<u>213</u>	<u>20,196</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(43,101)</u>	<u>(180,437)</u>	<u>(223,538)</u>	<u>5,803</u>	<u>(20,196)</u>
OTHER FINANCING SOURCES (USES):					
Interfund loan proceeds	-	-	-	-	20,196
Debt proceeds	-	-	-	-	-
Operating transfers in	44,750	181,886	226,636	-	-
Net other financing sources (uses)	<u>44,750</u>	<u>181,886</u>	<u>226,636</u>	<u>-</u>	<u>20,196</u>
NET CHANGE IN CASH BALANCE	1,649	1,449	3,098	5,803	-
CASH BALANCE, BEGINNING	<u>2,225</u>	<u>2,744</u>	<u>4,969</u>	<u>208,822</u>	<u>-</u>
CASH BALANCE, ENDING	<u>\$ 3,874</u>	<u>\$ 4,193</u>	<u>\$ 8,067</u>	<u>\$ 214,625</u>	<u>\$ -</u>
CASH BASIS FUND BALANCE:					
Reserved:					
Debt service	\$ 3,874	\$ 4,193	\$ 8,067	\$ -	\$ -
Unreserved:					
Cemetery	-	-	-	-	-
Capital projects	-	-	-	214,625	-
Total cash basis fund balance	<u>\$ 3,874</u>	<u>\$ 4,193</u>	<u>\$ 8,067</u>	<u>\$ 214,625</u>	<u>\$ -</u>

<u>Total Capital Project Funds</u>	<u>Permanent Cemetery Trust</u>
\$ -	\$ -
6,016	-
<u>-</u>	<u>1,470</u>
6,016	1,470
-	-
<u>20,409</u>	<u>-</u>
20,409	-
<u>(14,393)</u>	<u>1,470</u>
20,196	-
-	-
<u>-</u>	<u>-</u>
20,196	-
5,803	1,470
<u>208,822</u>	<u>100,620</u>
<u>\$ 214,625</u>	<u>\$ 102,090</u>
\$ -	\$ -
-	102,090
<u>214,625</u>	<u>-</u>
<u>\$ 214,625</u>	<u>\$ 102,090</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Proprietary Funds

As of and for the year ended June 30, 2007

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
OPERATING RECEIPTS:						
Licenses and permits	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ 200
Intergovernmental	-	-	-	-	34,178	34,178
Charges for services	-	506,611	-	472,317	336,181	1,315,109
Miscellaneous	9,192	8,790	8,970	1,096	33,067	61,115
	<u>9,192</u>	<u>515,601</u>	<u>8,970</u>	<u>473,413</u>	<u>403,426</u>	<u>1,410,602</u>
Total operating receipts						
OPERATING DISBURSEMENTS:						
Business type activities:						
Electric	52,401	-	-	-	-	52,401
Water	-	359,133	-	-	-	359,133
Gas	-	-	8,623	-	-	8,623
Wastewater	-	-	-	224,720	-	224,720
Communications	-	-	-	-	1,095	1,095
Airport	-	-	-	-	74,542	74,542
Garbage	-	-	-	-	428,131	428,131
Cemetery	-	-	-	-	47,432	47,432
	<u>52,401</u>	<u>359,133</u>	<u>8,623</u>	<u>224,720</u>	<u>551,200</u>	<u>1,196,077</u>
Total operating disbursements						
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(43,209)</u>	<u>156,468</u>	<u>347</u>	<u>248,693</u>	<u>(147,774)</u>	<u>214,525</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):						
Interest on investments	21,558	10,459	974	22,327	25,436	80,754
Debt service	(428,434)	(267,560)	-	(209,670)	-	(905,664)
Capital projects	-	-	-	(368,119)	-	(368,119)
	<u>(406,876)</u>	<u>(257,101)</u>	<u>974</u>	<u>(555,462)</u>	<u>25,436</u>	<u>(1,193,029)</u>
Net nonoperating receipts (disbursements)						
Excess (deficiency) of receipts over (under) disbursements	<u>(450,085)</u>	<u>(100,633)</u>	<u>1,321</u>	<u>(306,769)</u>	<u>(122,338)</u>	<u>(978,504)</u>

Schedule 4

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Wastewater</u>	<u>Other</u>	<u>Total</u>
OTHER FINANCING SOURCES						
(USES):						
Sale of fixed assets	-	-	-	-	26,921	26,921
Operating transfers in	485,600	387,208	-	605,777	2,660	1,481,245
Interfund loan proceeds	50,899	-	-	-	-	50,899
Operating transfers out	-	(271,221)	-	(503,275)	(17,300)	(791,796)
Net other financing sources	<u>536,499</u>	<u>115,987</u>	<u>-</u>	<u>102,502</u>	<u>12,281</u>	<u>767,269</u>
NET CHANGE IN CASH BALANCE	86,414	15,354	1,321	(204,267)	(110,057)	(211,235)
CASH BALANCE, BEGINNING	<u>629,498</u>	<u>304,797</u>	<u>25,447</u>	<u>665,702</u>	<u>145,139</u>	<u>1,770,583</u>
CASH BALANCE, ENDING	<u>\$ 715,912</u>	<u>\$ 320,151</u>	<u>\$ 26,768</u>	<u>\$ 461,435</u>	<u>\$ 35,082</u>	<u>\$ 1,559,348</u>
CASH BASIS FUND BALANCE						
Reserved:						
Deposits	\$ 13,739	\$ 4,550	\$ 12,548	\$ -	\$ -	\$ 30,837
Debt service	299,868	130,000	-	313,199	-	743,067
Other purposes	402,305	-	14,220	-	-	416,525
Unreserved	-	185,601	-	148,236	35,082	368,919
Total cash basis fund balance	<u>\$ 715,912</u>	<u>\$ 320,151</u>	<u>\$ 26,768</u>	<u>\$ 461,435</u>	<u>\$ 35,082</u>	<u>\$ 1,559,348</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Electric

As of and for the year ended June 30, 2007

	Electric Revenue Bonds 98	Electric Revenue Bonds	2006 Electric Substation
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ -	\$ -
OPERATING DISBURSEMENTS:			
Business type activities:			
Electric	<u>400</u>	<u>42,851</u>	<u>-</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(400)</u>	<u>(42,851)</u>	<u>-</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):			
Interest on investments	3,976	1,477	657
Debt service	<u>(428,434)</u>	<u>-</u>	<u>-</u>
Net nonoperating receipts (disbursements)	<u>(424,458)</u>	<u>1,477</u>	<u>657</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(424,858)</u>	<u>(41,374)</u>	<u>657</u>
OTHER FINANCING SOURCES			
Operating transfers in	435,600	-	50,000
Interfund loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources	<u>435,600</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN CASH BALANCE	10,742	(41,374)	50,657
CASH BALANCE, BEGINNING	<u>238,469</u>	<u>41,374</u>	<u>-</u>
CASH BALANCE, ENDING	<u>\$ 249,211</u>	<u>\$ -</u>	<u>\$ 50,657</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ -	\$ -
Debt service	249,211	-	50,657
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balance	<u>\$ 249,211</u>	<u>\$ -</u>	<u>\$ 50,657</u>

Schedule 5

<u>Electric Development</u>	<u>Electric Renewal/ Replacement</u>	<u>Electric Reserve</u>	<u>Electric Meter Deposits</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 9,192	\$ 9,192
-	-	-	9,150	52,401
-	-	-	42	(43,209)
1,888	7,547	5,395	618	21,558
-	-	-	-	(428,434)
<u>1,888</u>	<u>7,547</u>	<u>5,395</u>	<u>618</u>	<u>(406,876)</u>
<u>1,888</u>	<u>7,547</u>	<u>5,395</u>	<u>660</u>	<u>(450,085)</u>
-	-	-	-	485,600
<u>8,048</u>	<u>-</u>	<u>42,851</u>	<u>-</u>	<u>50,899</u>
<u>8,048</u>	<u>-</u>	<u>42,851</u>	<u>-</u>	<u>536,499</u>
9,936	7,547	48,246	660	86,414
<u>24,888</u>	<u>172,545</u>	<u>139,143</u>	<u>13,079</u>	<u>629,498</u>
<u>\$ 34,824</u>	<u>\$ 180,092</u>	<u>\$ 187,389</u>	<u>\$ 13,739</u>	<u>\$ 715,912</u>
\$ -	\$ -	\$ -	\$ 13,739	\$ 13,739
-	-	-	-	299,868
<u>34,824</u>	<u>180,092</u>	<u>187,389</u>	<u>-</u>	<u>402,305</u>
<u>\$ 34,824</u>	<u>\$ 180,092</u>	<u>\$ 187,389</u>	<u>\$ 13,739</u>	<u>\$ 715,912</u>

CITY OF TIPTON

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Water

As of and for the year ended June 30, 2007

	Water Revenue Bond Reserve	Water Operating	Water Meter Deposits	Totals
OPERATING RECEIPTS:				
Licenses and permits	\$ -	\$ 200	\$ -	\$ 200
Charges for services	-	506,611	-	506,611
Miscellaneous	-	5,635	3,155	8,790
	<u>-</u>	<u>512,446</u>	<u>3,155</u>	<u>515,601</u>
Total operating receipts	-	512,446	3,155	515,601
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	600	355,418	3,115	359,133
	<u>600</u>	<u>355,418</u>	<u>3,115</u>	<u>359,133</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(600)	157,028	40	156,468
	<u>(600)</u>	<u>157,028</u>	<u>40</u>	<u>156,468</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	3,843	6,485	131	10,459
Debt service	(267,560)	-	-	(267,560)
	<u>3,843</u>	<u>6,485</u>	<u>131</u>	<u>10,459</u>
Net nonoperating receipts (disbursements)	(263,717)	6,485	131	(257,101)
	<u>(263,717)</u>	<u>6,485</u>	<u>131</u>	<u>(257,101)</u>
Excess (deficiency) of receipts over (under) disbursements	(264,317)	163,513	171	(100,633)
	<u>(264,317)</u>	<u>163,513</u>	<u>171</u>	<u>(100,633)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	322,338	64,870	-	387,208
Operating transfers out	-	(271,221)	-	(271,221)
	<u>322,338</u>	<u>64,870</u>	<u>-</u>	<u>387,208</u>
Net other financing sources (uses)	322,338	(206,351)	-	115,987
	<u>322,338</u>	<u>(206,351)</u>	<u>-</u>	<u>115,987</u>
NET CHANGE IN CASH BALANCE	58,021	(42,838)	171	15,354
CASH BALANCE, BEGINNING	71,979	228,439	4,379	304,797
	<u>71,979</u>	<u>228,439</u>	<u>4,379</u>	<u>304,797</u>
CASH BALANCE, ENDING	\$ 130,000	\$ 185,601	\$ 4,550	\$ 320,151
	<u>\$ 130,000</u>	<u>\$ 185,601</u>	<u>\$ 4,550</u>	<u>\$ 320,151</u>

Schedule 6

	<u>Water Revenue Bond Reserve</u>	<u>Water Operating</u>	<u>Water Meter Deposits</u>	<u>Totals</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Deposits	\$ -	\$ -	\$ 4,550	\$ 4,550
Debt service	130,000	-	-	130,000
Unreserved	<u>-</u>	<u>185,601</u>	<u>-</u>	<u>185,601</u>
Total cash basis fund balance	<u>\$ 130,000</u>	<u>\$ 185,601</u>	<u>\$ 4,550</u>	<u>\$ 320,151</u>

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Gas**

As of and for the year ended June 30, 2007

	<u>Gas D.E.I.</u>	<u>Gas Meter Deposits</u>	<u>Totals</u>
OPERATING RECEIPTS:			
Miscellaneous	\$ -	\$ 8,970	\$ 8,970
OPERATING DISBURSEMENTS:			
Business type activities:			
Gas	<u>-</u>	<u>8,623</u>	<u>8,623</u>
Excess of operating receipts over operating disbursements	-	347	347
NONOPERATING RECEIPTS:			
Interest on investments	<u>609</u>	<u>365</u>	<u>974</u>
Excess of receipts over disbursements	609	712	1,321
CASH BALANCE, BEGINNING	<u>13,611</u>	<u>11,836</u>	<u>25,447</u>
CASH BALANCE, ENDING	<u>\$ 14,220</u>	<u>\$ 12,548</u>	<u>\$ 26,768</u>
CASH BASIS FUND BALANCE:			
Reserved:			
Deposits	\$ -	\$ 12,548	\$ 12,548
Other purposes	<u>14,220</u>	<u>-</u>	<u>14,220</u>
Total cash basis fund balance	<u>\$ 14,220</u>	<u>\$ 12,548</u>	<u>\$ 26,768</u>

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Wastewater**

As of and for the year ended June 30, 2007

	<u>Wastewater Debt Service</u>	<u>Wastewater Treatment</u>	<u>1994 Sewer/Water Debt Service</u>	<u>Totals</u>
OPERATING RECEIPTS:				
Charges for services	\$ -	\$ 472,317	\$ -	\$ 472,317
Miscellaneous	-	1,096	-	1,096
	<u>-</u>	<u>473,413</u>	<u>-</u>	<u>473,413</u>
Total operating receipts	-	473,413	-	473,413
OPERATING DISBURSEMENTS:				
Business type activities:				
Wastewater	7,223	217,497	-	224,720
	<u>7,223</u>	<u>217,497</u>	<u>-</u>	<u>224,720</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(7,223)</u>	<u>255,916</u>	<u>-</u>	<u>248,693</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	10,439	5,602	6,286	22,327
Debt service	(209,670)	-	-	(209,670)
Capital projects	-	(368,119)	-	(368,119)
	<u>-</u>	<u>(368,119)</u>	<u>-</u>	<u>(368,119)</u>
Net nonoperating receipts (disbursements):	<u>(199,231)</u>	<u>(362,517)</u>	<u>6,286</u>	<u>(555,462)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(206,454)</u>	<u>(106,601)</u>	<u>6,286</u>	<u>(306,769)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	222,135	383,642	-	605,777
Operating transfers out	-	(261,501)	(241,774)	(503,275)
	<u>-</u>	<u>(261,501)</u>	<u>(241,774)</u>	<u>(503,275)</u>
Net other financing sources (uses)	<u>222,135</u>	<u>122,141</u>	<u>(241,774)</u>	<u>102,502</u>
NET CHANGE IN CASH BALANCE	15,681	15,540	(235,488)	(204,267)
CASH BALANCE, BEGINNING	<u>296,364</u>	<u>132,696</u>	<u>236,642</u>	<u>665,702</u>
CASH BALANCE, ENDING	<u>\$ 312,045</u>	<u>\$ 148,236</u>	<u>\$ 1,154</u>	<u>\$ 461,435</u>
CASH BASIS FUND BALANCE:				
Reserved:				
Debt service	\$ 312,045	\$ -	\$ 1,154	\$ 313,199
Unreserved	-	148,236	-	148,236
	<u>-</u>	<u>148,236</u>	<u>-</u>	<u>148,236</u>
Total cash basis fund balance	<u>\$ 312,045</u>	<u>\$ 148,236</u>	<u>\$ 1,154</u>	<u>\$ 461,435</u>

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds - Other**

As of and for the year ended June 30, 2007

	Communications		
	Local Access	Airport Operating	Garbage Collection
OPERATING RECEIPTS:			
Intergovernmental	\$ -	\$ 32,771	\$ -
Charges for services	19,344	7,525	296,887
Miscellaneous	-	26,955	582
	19,344	67,251	297,469
Total operating receipts			
OPERATING DISBURSEMENTS:			
Business type activities:			
Communications	1,095	-	-
Airport	-	74,542	-
Garbage	-	-	428,131
Cemetary	-	-	-
	1,095	74,542	428,131
Total operating disbursements			
Excess (deficiency) of operating receipts over (under) operating disbursements	18,249	(7,291)	(130,662)
NONOPERATING RECEIPTS:			
Interest on investments	515	3,721	14,407
	515	3,721	14,407
Excess (deficiency) of receipts over (under) disbursements	18,764	(3,570)	(116,255)
OTHER FINANCING SOURCES (USES):			
Sale of fixed assets	-	-	26,921
Operating transfers in	-	2,019	641
Operating transfers out	(17,300)	-	-
	(17,300)	2,019	27,562
Net other financing sources (uses)			
NET CHANGE IN CASH BALANCE	1,464	(1,551)	(88,693)
CASH BALANCE, BEGINNING	16,787	25,126	94,755
CASH BALANCE, ENDING	\$ 18,251	\$ 23,575	\$ 6,062
CASH BASIS FUND BALANCE:			
Unreserved	\$ 18,251	\$ 23,575	\$ 6,062

Schedule 9

<u>Cemetary Enterprise</u>	<u>Totals</u>
\$ 1,407	\$ 34,178
12,425	336,181
<u>5,530</u>	<u>33,067</u>
<u>19,362</u>	<u>403,426</u>
-	1,095
-	74,542
-	428,131
<u>47,432</u>	<u>47,432</u>
<u>47,432</u>	<u>551,200</u>
(28,070)	(147,774)
<u>6,793</u>	<u>25,436</u>
<u>(21,277)</u>	<u>(122,338)</u>
-	26,921
-	2,660
<u>-</u>	<u>(17,300)</u>
<u>-</u>	<u>12,281</u>
(21,277)	(110,057)
<u>8,471</u>	<u>145,139</u>
<u>\$ (12,806)</u>	<u>\$ 35,082</u>
<u>\$ (12,806)</u>	<u>\$ 35,082</u>

CITY OF TIPTON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Internal Service Funds**

As of and for the year ended June 30, 2007

	Central Garage	PSF Health Insurance	City Reserve
OPERATING RECEIPTS:			
Miscellaneous	\$ 35,909	\$ 70,993	\$ -
OPERATING DISBURSEMENTS:			
General government	510,807	77,174	17,558
Excess (deficiency) of operating receipts over (under) operating disbursements	(474,898)	(6,181)	(17,558)
NONOPERATING RECEIPTS:			
Interest on investments	17,435	12	19,282
Rents	188,809	-	-
Net nonoperating receipts	206,244	12	19,282
Excess (deficiency) of receipts over (under) disbursements	(268,654)	(6,169)	1,724
OTHER FINANCING SOURCES			
Sale of fixed assets	33,238	-	-
Interfund loan proceeds	1,989	-	-
Net other financing sources	35,227	-	-
NET CHANGE IN CASH BALANCE	(233,427)	(6,169)	1,724
CASH BALANCE, BEGINNING	154,663	4,638	207,066
CASH BALANCE, ENDING	\$ (78,764)	\$ (1,531)	\$ 208,790
CASH BASIS FUND BALANCE:			
Reserved:			
Other purposes	\$ (78,764)	\$ (1,531)	\$ 208,790

Schedule 10

<u>Adminstrative Services</u>	<u>Payroll Account</u>	<u>Totals</u>
\$ 90,422	\$ 831	\$ 198,155
<u>90,323</u>	<u>917</u>	<u>696,779</u>
<u>99</u>	<u>(86)</u>	<u>(498,624)</u>
45	-	36,774
<u>-</u>	<u>-</u>	<u>188,809</u>
<u>45</u>	<u>-</u>	<u>225,583</u>
<u>144</u>	<u>(86)</u>	<u>(273,041)</u>
-	-	33,238
<u>-</u>	<u>-</u>	<u>1,989</u>
<u>-</u>	<u>-</u>	<u>35,227</u>
144	(86)	(237,814)
<u>3,440</u>	<u>23,666</u>	<u>393,473</u>
<u>\$ 3,584</u>	<u>\$ 23,580</u>	<u>\$ 155,659</u>
<u>\$ 3,584</u>	<u>\$ 23,580</u>	<u>\$ 155,659</u>

CITY OF TIPTON
Schedule of Indebtedness
Year Ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Street improvement	February 1, 2002	3.50-4.45%	\$ 555,000
Water improvement	March 1, 2002	3.00-4.25%	900,000
Street improvement	May 1, 2003	1.50-3.90%	1,500,000
Total			
Revenue bonds:			
Sewer revenue	June 30, 2003	3.00%	3,200,000
Revenue notes:			
Electric revenue	November 1, 1998	4.10-4.35%	2,265,000
Water revenue	July 1, 2002	4.25-5.40%	1,305,000
Total			
Anticipatory obligation notes:			
Aquatic center construction loan	May 2, 2005	4.00%	1,250,000
Capital lease obligations:			
Copier and related equipment	November 1, 2002	6.50%	40,943
Total indebtedness			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 165,000	\$ -	\$ 80,000	\$ 85,000	\$ 7,223	\$ -
195,000	-	195,000	-	8,288	-
<u>1,095,000</u>	<u>-</u>	<u>145,000</u>	<u>950,000</u>	<u>36,585</u>	<u>-</u>
<u>1,455,000</u>	<u>-</u>	<u>420,000</u>	<u>1,180,000</u>	<u>52,096</u>	<u>-</u>
2,889,000	-	123,000	2,766,000	86,670	-
1,200,000	-	385,000	815,000	43,434	-
<u>1,305,000</u>	<u>-</u>	<u>-</u>	<u>1,305,000</u>	<u>64,273</u>	<u>-</u>
<u>5,394,000</u>	<u>-</u>	<u>508,000</u>	<u>4,886,000</u>	<u>194,377</u>	<u>-</u>
<u>1,125,000</u>	<u>-</u>	<u>300,000</u>	<u>825,000</u>	<u>22,500</u>	<u>-</u>
<u>12,018</u>	<u>-</u>	<u>8,915</u>	<u>3,103</u>	<u>517</u>	<u>-</u>
<u>\$7,986,018</u>	<u>\$ -</u>	<u>\$ 1,236,915</u>	<u>\$ 6,894,103</u>	<u>\$ 269,490</u>	<u>\$ -</u>

CITY OF TIPTON

Bond and Note Maturities

June 30, 2007

Year Ending June 30,	General Obligation Debt				Capital Lease	
	2002 Street Improvement Issued February 1, 2002		2003 Street Improvement Issued May 1, 2003		Copier & Other Equipment	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	4.45 %	\$ 85,000	2.90 %	\$ 145,000	6.50 %	\$ 3,103
2009		-	3.15 %	150,000		-
2010		-	3.35 %	155,000		-
2011		-	3.55 %	160,000		-
2012		-	3.75 %	165,000		-
2013		-	3.90 %	175,000		-
Total		<u>\$ 85,000</u>		<u>\$ 950,000</u>		<u>\$ 3,103</u>

Year Ending June 30,	Revenue Debt					
	Electric Revenue Note Issued April 1, 1999		Water Revenue Note Issued October 1, 2002		Sewer Revenue Note Issued June 30, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	4.30 %	\$ 400,000		\$ -	3.00 %	\$ 127,000
2009	4.35 %	415,000	4.25 %	105,000	3.00 %	131,000
2010		-	4.40 %	110,000	3.00 %	135,000
2011		-	4.55 %	115,000	3.00 %	139,000
2012		-	4.70 %	120,000	3.00 %	143,000
2013		-	4.85 %	125,000	3.00 %	147,000
2014		-	5.00 %	130,000	3.00 %	152,000
2015		-	5.10 %	140,000	3.00 %	156,000
2016		-	5.20 %	145,000	3.00 %	161,000
2017		-	5.30 %	155,000	3.00 %	166,000
2018		-	5.40 %	160,000	3.00 %	171,000
2019		-		-	3.00 %	176,000
2020		-		-	3.00 %	181,000
2021		-		-	3.00 %	187,000
2022		-		-	3.00 %	192,000
2023		-		-	3.00 %	198,000
2024		-		-		204,000
Total		<u>\$ 815,000</u>		<u>\$1,305,000</u>		<u>\$2,766,000</u>

Year Ending <u>June 30,</u>	<u>Anticipatory Note</u>	
	<u>Interest Rates</u>	<u>Amount</u>
2008	4.00 %	\$ 300,000
2009	4.00 %	275,000
2010	4.00 %	250,000
2011		-
2012		-
2013		-
Total		<u>\$ 825,000</u>

CITY OF TIPTON

Comparison of Tax and Intergovernmental Receipts

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Tax	\$ 850,516	\$ 803,190	\$ 743,605	\$ 709,903	\$ 679,521
Tax increment financing collections	<u>205,164</u>	<u>190,192</u>	<u>190,192</u>	<u>183,109</u>	<u>186,012</u>
Other city tax:					
Mobile home tax	7,086	6,595	6,073	6,034	3,621
Local option sales tax	<u>154,754</u>	<u>116,183</u>	<u>173,920</u>	<u>184,995</u>	<u>160,117</u>
	<u>161,840</u>	<u>122,778</u>	<u>179,993</u>	<u>191,029</u>	<u>163,738</u>
Intergovernmental:					
State allocation	-	-	-	-	27,336
Personal property tax replacement	-	-	-	-	11,776
Rural assistance	11,902	6,880	8,359	10,746	10,294
Bank franchise tax	-	-	6,682	9,379	5,537
Road use tax	262,953	264,154	262,325	262,772	257,242
Grants	239,498	149,860	7,463	263,445	93,320
Assessments	20,000	48,898	38,563	41,693	41,151
Other	<u>8,658</u>	<u>27,768</u>	<u>237</u>	<u>6,443</u>	<u>8,311</u>
	<u>543,011</u>	<u>497,560</u>	<u>323,629</u>	<u>594,478</u>	<u>454,967</u>
Total	<u>\$ 1,760,531</u>	<u>\$ 1,613,720</u>	<u>\$ 1,437,419</u>	<u>\$ 1,678,519</u>	<u>\$ 1,484,238</u>



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
Tipton, Iowa

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tipton as of and for the year ended June 30, 2007, which collectively comprise the City of Tipton, Iowa's basic financial statements and have issued our report thereon dated March 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tipton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in Part II, II-B-2007, of the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that one of the significant deficiencies described in Part II, II-A-2007, is a material weakness. Prior year material weaknesses have been resolved except for II-A-2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tipton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Part III of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Tipton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and those parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tipton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
March 26, 2008

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2007

PART I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency (ies) identified that are not
considered to be material weaknesses? x yes no
- Noncompliance material to
financial statements noted? yes x no

PART II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

II-A-2007 SEGREGATION OF DUTIES IN THE ACCOUNTING FUNCTION

Criteria: The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition: An employee of the City can open mail, list out cash receipts and make bank deposits. Also, the individual responsible for maintaining cash records performs the monthly bank reconciliations.

Questioned Costs: None.

Context: During our audit we noted that an employee can perform all of the cash receipts function.

Effect: Incompatible duties were not properly segregated.

Cause: Ideal separation of incompatible duties is difficult with the size of the City.

Recommendation: When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities.

We recommend the following:

1. The City should review its operating procedures to obtain the maximum internal control possible given the size of the City Clerk's office.

Management Response and Corrective Action Plan: We agree, and the City will continue to look for ways to realign and reassign duties where practical.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2007

PART II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCY

II-B-2007 PREPARATION OF FINANCIAL STATEMENTS

Criteria: The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition: The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Context: While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that the financial statement omissions or other errors would be identified and corrected prior to issuance.

Effect: As a result of this condition, there is more than a remote risk that misstatements that are more than inconsequential to the financial statements could occur and not be detected.

Cause: The City has relied on the independent auditor to some degree to provide assurance the financial statements, including disclosures, are not materially misstated.

Recommendation: We recommend sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

Management Response: The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of GAAP requirements in these disclosure checklists exceed 50 pages in length. As a result, the City of Tipton has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2007

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-2007 Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

III-B-2007 Questionable Disbursements - We noted no disbursements that failed to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-2007 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-2007 Business Transactions - We noted the following business transaction between the City and City officials or employees:

The City purchased a house from a member of the City council. The purchase price was a bargained transaction that involved a real estate agent. The City held public hearings on the purchase and the purchase was approved by the entire council with the related party abstaining from the vote. The purchase price was \$95,660.

III-E-2007 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should continue to be reviewed annually to insure that the coverage is adequate for current operations.

III-F-2007 Council Minutes - We noted no transactions that we believe should have been approved in the council minutes but were not.

III-G-2007 Deposits and Investments - We noted the following instance of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

We noted that the City had exceeded its approved depository resolution limits seven out of the twelve months during the fiscal year.

Recommendation - The City should review its depository resolution and set limits that will suit the cash needs of the City.

Response - We will review our depository resolution and make appropriate changes.

Conclusion - Response accepted.

CITY OF TIPTON

Schedule of Findings

Year ended June 30, 2007

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (continued):

III-H-2007 Financial Condition - The Capital Project Fund, Aquatic Center Capital Project Fund had a deficit balance at June 30, 2007 of \$373,185. The Capital Project Fund, Water Tower Project had a deficit balance of \$470,735 at June 30, 2007. Enterprise Fund Gas Operating had a deficit balance at June 30, 2007 of \$264. The Internal Service Funds, Central Garage and PSF Health Insurance, had deficit balances of \$78,764 and \$1,531, respectively, as of June 30, 2007.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - The deficit was due to construction costs incurred prior to receipt of a state grant. The deficit was subsequently eliminated.

Conclusion - Response accepted.

CITY OF TIPTON

Audit Staff

This audit was performed by:

William Murray, CPA

William Vincent, CPA

Andrew Johnson, CPA

Jim Fitzpatrick, CPA

Becky Grassfield